



1/25/06

**SB 956 (Stamas)**

Senate Bill 956 (S-1) would appropriate and transfer \$116.3 million of General Fund/General Purpose revenue to the Counter Cyclical Budget and Economic Stabilization Fund. This transfer would occur during FY 2005-06.

- **SB 956 was ordered enrolled [no RC].**

**SB 957 (Cassis)**

Senate Bill 957 would increase the amount of the alternative credit to the amount by which tax liability exceeds one percent of adjusted business income for tax years that begin on or after January 1, 2006. Effectively, the bill reduces the alternative rate from two percent to one percent. Firms are eligible for the small business credit (using either calculation method) if, among other criteria, individual shareholder or officer-allocated income does not exceed \$115,000. However, the amount of the credit is reduced based on the extent to which income exceeds \$95,000. The bill would increase the maximum income level from \$115,000 to \$125,000, and increase the income levels used to reduce the credit as follows, for tax years beginning on or after January 1, 2006

- **The Senate concurred with the House Amendment to SB 957 [RC 23: 23 yes, 14 no].**

**HB 5361 (Marleau)**

**HB 5362 (Drolet)**

**HB 5364 (Green)**

House Bill 5361 requires the Department of Treasury to send notice to a taxpayer of its intent to assess a disputed tax. The notice must include the amount the Department believes the taxpayer owes, the reason for that deficiency, and a statement advising the taxpayer of a right to an informal conference, the requirement of a written request by the taxpayer for the informal conference, and the 30-day time limit for that request.

- **The Senate concurred with the House Amendment to HB 5361 [RC 24: 37 yes, 0 no].**

House Bill 5362 would amend the Act to specify that a taxpayer could not be penalized for relying on a revenue administrative bulletin or letter ruling before it was revoked.

- The Senate concurred with the House Amendment to HB 5362 [RC 25: 37 yes, 0 no].

House Bill 5364 provides that errors made by a taxpayer in a personal property statement resulting in the excess payment of taxes may be corrected by the July or December Board of Review. Generally speaking, the July or December Board of Review meets to correct clerical errors or mutual mistakes of fact related to assessment figures, tax rates, and mathematical computations. A "mutual mistake of fact" is a shared or common error, misconception, misunderstanding, or erroneous belief about a material fact, which in the context of the General Property Tax Act requires both the assessing officer and the taxpayer to have the same erroneous belief regarding the same material fact thereby causing both the excess assessment and the excess payment of taxes.

- The Senate concurred with the House Amendment to HB 5364 [RC 26: 37 yes, 0 no].

## GENERAL ORDERS

### SB 579 (Gilbert)

Senate Bill 579 would offer the affected company, Pro-Weld, the opportunity to receive the tax relief company officials believed it would receive when it moved to Port Huron. The company evidently was recruited to site its operations in Port Huron with the understanding that the facility was located on property that was within the city's industrial development district and that the facility would be eligible for an industrial facilities exemption certificate. Pro-Weld should be taxed under the Act as if the facility had been granted the certificate in October 2001, the month after the district was expanded to include the Pro-Weld facility, because its failure to comply with the Act was the result of a mistake by the Economic Development Alliance of St. Clair County and not the company

- *Gilbert 1 was withdrawn.*
- *SB 579 was moved to 3<sup>rd</sup> reading of Bills. [no amendments].*
- Gilbert 1 was adopted [no RC].
- SB 579 was passed with IE [RC 29: 37 yes, 0 no].

### SB 802 (Allen)

The Michigan Economic Growth Authority (MEGA) Act is designed to promote economic growth and job creation in the State by offering single business tax (SBT) credits to firms that create and maintain jobs in Michigan. Awarding these credits reportedly has been an effective economic development tool, but officials from the Michigan Economic Development Corporation (MEDC) (which provides staff for MEGA) apparently believe that the Act should be less restrictive. The Act allows MEGA to enter into an agreement to provide SBT credits with an eligible business already located in Michigan if the business agrees to maintain at least the number of full-time jobs that it maintained in Michigan before expansion. By allowing MEGA to

adjust the number of full-time jobs that must be maintained in order to account for a business's decrease in full-time employment due to divestiture of its operations, the bill would accommodate businesses that might need to sell or spin-off some of their operations sometime after receiving a MEGA SBT credit. The bill would allow the credit to continue only if a single other employer continued to maintain those full-time jobs in Michigan and MEGA determined it could monitor the maintenance of the jobs by the other employer, so the Act's goal of keeping jobs in the State would continue to be met.

- *Committee S-1 was not adopted.*
- *Allen 2 was adopted.*
- *SB 802 was moved to 3<sup>rd</sup> reading of Bills*
- *Van Woerkom 1 was adopted [no RC]. [MEGA credits will be allowed for lower number of jobs created from 75 to 50 for jobs created in state, 150 to 100 if a company moves into the state].*
- *Basham 2 was not adopted [no RC]. Tie bars to SB 734 (Fair Share Health Care Plan).*
- *Hardiman 3 was adopted [no RC]. (Allows a company in SW MI a MEGA credit).*
- *Basham 4 was not adopted [RC 37: 15 yes, 22 no].*
- *SB 802 was passed with IE [RC 38: 34 yes, 3 no].*

#### **SB 883 (Hardiman)**

Senate Bill 883 would amend the Revised Judicature Act (RJA) to allow the addition of one judgeship in the 17th Judicial Circuit, which consists of Kent County and currently has nine judges.

- *SB 883 was moved to 3<sup>rd</sup> reading of Bills [no amendments].*
- *SB 883 was passed with IE [RC 33: 37 yes, 0 no].*

#### **SB 900 (Jelinek)**

Senate Bill 900 would amend the Michigan Renaissance Zone Act to double the number of agricultural renaissance zones that may be designated, and require the State Administrative Board to consider certain factors when designating a zone. The Act allows the State Administrative Board to designate up to 20 renaissance zones for agricultural processing facilities in the State in one or more cities, villages, or townships, provided those entities allow the creation of the zones for that purpose. The bill would allow the Board, upon recommendation of the Agriculture Commission, to designate up to 40 agricultural renaissance zones.

- *Committee S-1 was adopted.*
- *SB 900 was moved to 3<sup>rd</sup> reading of Bills.*
- *SB 900 was passed with IE [RC 31: 37 yes, 0 no].*

#### **SB 907 (Cropsey)**

Senate Bill 907 would amend the Revised Judicature Act (RJA) to allow the addition of one judgeship in the Seventh and 49th Judicial Circuits. The Seventh Judicial Circuit consists of

Genesee County and currently has nine judges. The 49th Judicial Circuit consists of Mecosta and Osceola Counties and currently has one judge.

- *Committee S-1 was adopted.*
- *SB 900 was moved to 3<sup>rd</sup> reading of Bills*
- **SB 907 was passed with IE [RC 32: 37 yes, 0 no].**

#### **SB 922 (Sikkema)**

Senate Bill 922 would allow Modern Plastics Corporation (MPC) is an automotive supplier that has been based in Michigan since 1937, currently operating in Benton Harbor, Coloma, and New Buffalo. Indiana reportedly has offered tax incentives to MPC to encourage the company to relocate there. According to testimony given before the Senate committee, the company would prefer to stay in Michigan, but can afford to do so only if the existing renaissance zone in Benton Harbor is expanded to include its facility there. The plant is adjacent to the Graham Avenue renaissance zone, and the bill would allow the extension of that zone to include the MPC plant. The company reportedly plans to consolidate its operations, transferring about 60 employees from another plant and hiring an additional 40 individuals from the Benton Harbor area. The bill would encourage a long-time Michigan company to remain in Michigan, rather than moving to Indiana. In addition, the bill would help create jobs in the struggling Benton Harbor area. The bill also would allow the expansion of the Carson City/Northshade Township renaissance zone on the border between Montcalm and Gratiot Counties. This would provide an incentive to an out-of-State company that is planning on building a new nursing home in the area, potentially creating 90 to 100 jobs. Michigan needs to encourage out-of-State companies to locate in this State in order to revive its economy, and the expanded renaissance zone could stimulate new economic growth and bring new jobs to Michigan.

- *Cassis 1a was adopted. (gives the City of Wixom a 100 percent tax abatement to redevelop the Ford Wixom plant when Ford abandons the site.)*
- *Committee S-1 was adopted.*
- *SB 922 was moved to 3<sup>rd</sup> reading of Bills.*
- **Cassis 1 was adopted [no RC].**
- **SB 922 was passed with IE [RC 30: 37 yes, 0 no].**

#### **SB 925 (Sanborn)**

Senate Bill 925 would amend the Revised Judicature Act (RJA) to allow the addition of one judgeship in the 16th Judicial Circuit, which consists of Macomb County and currently has 12 judges.

- *SB 925 was moved to 3<sup>rd</sup> reading of Bills [no amendments].*
- **SB 925 was passed with IE [RC 34: 37 yes, 0 no].**

#### **SB 946 (Bishop)**

Senate Bill 946 would amend the Revised Judicature Act (RJA) to allow the addition of one judgeship in the Sixth Judicial Circuit, which consists of Oakland County and currently has 19 judges.

- *SB 946 was moved to 3<sup>rd</sup> reading of Bills [no amendments].*
- **SB 946 was passed with IE [RC 35: 37 yes, 0 no].**

#### **SB 955 (Stamas)**

Senate Bill 955 would amend the Revised Judicature Act (RJA) to allow the addition of one judgeship in the 55th Judicial Circuit, which consists of Clare and Gladwin Counties and currently has one judge.

- *SB 955 was moved to 3<sup>rd</sup> reading of Bills [no amendments].*
- **SB 955 was passed with IE [RC 36: 37 yes, 0 no].**

#### **HB 4733 (Baxter)**

#### **HB 4734 (Elsenheimer)**

#### **SBT CREDIT: MEGA APPROVAL**

The bills would create a new category of brownfield SBT tax credits for projects that were \$2 million or less, and create a streamlined process for businesses to claim the credit. Small businesses understand that there is a finite pool of only \$30 million in credits that MEGA may issue each year for projects of \$10 million or less, and evidently believe that they are often competing for credits against larger projects to which MEGA may give higher priority. The bill would allow MEGA to issue credits of up to \$200,000 each for a total of \$10 million of these credits each year. These credits would be offered in addition to the \$30 million in credits currently available for projects of \$10 million or less. If small businesses knew that smaller credits were set aside for them and that they were no longer competing against larger projects for the credits, they would be more likely to apply for them. Currently, all businesses seeking credits of up to \$1 million must go through the same application and approval process. Often, a business needs the credit to make the project profitable. The current application process forces businesses to wait months to see whether they will be allowed the credit they need to start work on their project.

- *Committee S-1 was not adopted.*
- *Sanborn S-2 was adopted.*
- *HB 4733 was moved to 3<sup>rd</sup> reading of Bills*
- **HB 4733 was passed with IE [RC 27: 37 yes, 0 no].**

HB 4734, the chairperson of MEGA (or a designee) would have to approve an application for a credit of \$200,000 or less within 45 days of receiving the application. By putting these projects on the fast track, the bill would allow businesses to move more quickly on their projects and reduce the time spent waiting for approval. By giving MEGA only 45 days to approve brownfield SBT credits for projects of up to \$2 million, the bill would almost assure that

businesses seeking a credit would receive it, regardless of whether they deserved the credit. It would be difficult for MEGA to review applications properly within the 45-day period, especially if the number of applications for smaller projects increased significantly, which would be expected under the bill. Limiting on-site inspections also would impede MEGA's ability to distinguish between good and bad projects when it came to issuing credits. In addition, there is a concern that businesses would receive credits for "functionally obsolete" buildings where the only problem with the structure was that it did not have high-speed internet access, or that the phone system needed to be upgraded.

- *Committee S-3 was not adopted.*
- *Cassis 2a amendment was adopted.*
- *Sanborn S-6 was adopted.*
- *HB 4734 was moved to 3<sup>rd</sup> reading of Bills*
- *Allan 1 was adopted [no RC].*
- *HB 4734 was passed with IE [RC 28: 37 yes, 0 no].*

## THIRD READING OF BILLS RESOLUTIONS

### SB 866 (Gilbert)

SB 866 would amend the State School Aid Act to allow an intermediate school district (ISD) that purchased a special education transportation service from a constituent district under specific conditions, to continue to report to the State for reimbursement the cost associated with the service; and require the Department of Education to remove that amount from the costs reported by the constituent district. An ISD in St. Clair County was previously paying a private entity for various special education transportation services. During that time, the ISD submitted the costs associated with those services to the Department of Education for reimbursement, which equaled approximately 70% of the costs. The ISD determined that it could purchase the same services at a reduced cost from a constituent local school district, saving money for both the ISD and the State when the ISD submitted the lower costs for reimbursement. Under the law, however, the ISD was prohibited from submitting the costs associated with the contract, because the constituent local district was the entity actually incurring the costs (e.g., the employment of mechanics, heating of garage, storage costs, and tools). The law does not allow both the ISD and the local district to submit the costs for the same services.

- *SB 866 was moved to 3<sup>rd</sup> reading of Bills [no amendments].*

## RESOLUTIONS

### HCR 29 (Ward)

Resolved by the House of Representatives (the Senate concurring), That the House of Representatives and Senate meet in joint convention in the Hall of the House of Representatives, Wednesday, January 25, 2006, at 6:30 p.m., to receive the message of Governor Jennifer M. Granholm.

- HCR 29 was adopted [no RC].